

Message Text

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P 260727Z APR 78

FM AMEMBASSY MANILA

TO SECSTATE WASHDC PRIORITY 4846

LIMITED OFFICIAL USE SECTION 01 OF 04 MANILA 06685

USADB

FOR NAC AGENCIES

EO 11652:N/A

TAGS: EAID, EFIN, ADB, RP

SUBJECT: PROPOSED ADB LOAN FOR ALLAH RIVER IRRIGATION
PROJECT (PHILIPPINES)

SUMMARY: ADB MANAGEMENT IS PROPOSING A 23.5 MILLION DOLLAR ORDINARY CAPITAL LOAN TO THE REPUBLIC OF THE PHILIPPINES FOR THE ALLAH RIVER IRRIGATION PROJECT IN SOUTHERN MINDANAO. THE PROPOSED PROJECT HAS BEEN FORMULATED AS AN INTEGRATED AGRICULTURAL AND RURAL DEVELOPMENT PROJECT AIMED AT INCREASING AGRICULTURAL PRODUCTION, IMPROVEMENT IN WATERSHED MANAGEMENT AND RURAL LIVING CONDITIONS IN THE AREA. THE PROJECT AREA COVERS ABOUT 21,000 HA. OF NET IRRIGABLE AREA WITH AN ESTIMATED POPULATION OF ABOUT 82,000. IT IS EXPECTED THAT A FARMER CULTIVATING AN AVERAGE OF 2 HA. FARM WILL BE ABLE TO INCREASE HIS FARM INCOME FROM ABOUT 525 DOLLARS PER YEAR TO AN AVERAGE OF ABOUT 1,030 DOLLARS PER YEAR AT FULL
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DEVELOPMENT OF THE PROJECT. ADB'S LOAN OF 23.5 MILLION DOLLARS WILL BE USED FOR A) FOREIGN EXCHANGE COSTS, 14.7 MILLION DOLLARS; B) LOCAL COST FINANCING, 4.0 MILLION DOLLARS; AND C) INTEREST AND OTHER CHARGES INCURRED DURING CONSTRUCTION, 4.8 MILLION DOLLARS. PROJECT IS TECHNICALLY AND ECONOMICALLY SOUND AND HAS A HIGH SOCIAL CONTENT. USADB RECOMMENDS FAVORABLE NAC

ACTION. END SUMMARY.

1. ADB DOCUMENT R33-78 WITH ATTACHMENT POUCHED APRIL 21.
BOARD CONSIDERATION SCHEDULED FOR MAY.

2. THE PROPOSED 23.5 MILLION DOLLARS ADB LOAN WILL
FINANCE FOREX COSTS OF A) CONSTRUCTION EQUIPMENT AND
MATERIALS, 8.432 MILLION DOLLARS, B) WATERSHED MANAGEMENT
WORK, 0.113 MILLION DOLLARS, C) AGRICULTURAL DEVELOPMENT,
0.195 MILLION DOLLARS; D) RURAL WATER SUPPLY AND HEALTH
SERVICES, 9.418 MILLION DOLLARS; E) CONSULTING SERVICES
0.223 MILLION DOLLARS; F) ADMINISTRATION AND OFFICE AND
TRANSPORTATION EQUIPMENT, 0.202 MILLION DOLLARS; G)
PHYSICAL CONTINGENCIES (15 PERCENT), 1.587 MILLION
DOLLARS; AND G) PRICE ESCALATION, 2.530 MILLION DOLLARS.
THE BANK WILL ALSO PROVIDE 4.0 MILLION DOLLARS FOR INTEREST
AND OTHER INITIAL CHARGES INCURRED DURING CONSTRUCTION
PERIOD. THE GOVERNMENT WILL PROVIDE 28.5 MILLION DOLLARS
EQUIVALENT IN LOCAL CURRENCY FOR EXPENSES INCURRED IN ALL
THE ABOVE CATEGORIES AS WELL AS FOR IRRIGATION AND RELATED
CIVIL WORKS. THE PROPOSED LOAN WOULD BE FROM BANK'S
ORDINARY CAPITAL RESOURCES WITH 30 YEAR AMORTIZATION
INCLUDING SEVEN YEAR GRACE PERIOD AT 7.70 PERCENT INTEREST
PER ANNUM. BORROWER WOULD BE REPUBLIC OF THE PHILIPPINES;
EXECUTING AGENCY TO BE NATIONAL IRRIGATION ADMINISTRATION.

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3. AGRICULTURE, INCLUDING FISHERIES AND FORESTRY, IS THE
DOMINANT SECTOR OF THE PHILIPPINE ECONOMY. IN 1977, IT
CONTRIBUTED ABOUT 26.5 PERCENT OF THE GROWW DOMESTIC
PRODUCT AND ABOUT 70 PERCENT OF THE TOTAL EXPORT EARNINGS
INCLUDING AGRO-INDUSTRY. RICE AND CORN ARE THE STAPLE
FOODS. PADDY IS WIDELY GROWN ON ABOUT 3.4 MILLION HA.
WHILE CORN IS GROWN ON ABOUT 3.1 MILLION HA. OTHER
IMPORTANT CROPS GROWN ARE SUGARCANE, COCONUTS, PINEAPPLES
AND BANANAS WHICH ARE ALL EXPORTED. CROP PRODUCTION IN
1977 SHOWED AN OVERALL INCREASE OF ABOUT FIVE PERCENT OVER
THE PREVIOUS YEAR. THE AGRICULTURAL SECTOR HAS CONSISTENT-
LY ABSORBED OVER 50 PERCENT OF THE COUNTRY'S ESTIMATED
LABOR FORCE OF 16 MILLION.

4. THE ISLAND OF MINDANAO, WITH AN AGGREGATE AREA OF
ABOUT 10 MILLION HA. REPRESENTING APPROXIMATELY 34 PERCENT
OF THE TOTAL LAND AREA OF THE PHILIPPINES, HAS A POPULA-
TION ESTIMATED AT OVER 9.4 MILLION. OF THE 10 MILLION
HA., FOREST LANDS ACCOUNT FOR ABOUT 62 PERCENT AND
CULTIVATED AREAS ABOUT 32 PERCENT. RICE AND CORN AREAS
REPRESENT ABOUT 23 AND 46 PERCENT OF THE TOTAL CULTIVATED
AREA, RESPECTIVELY. IN 1975, THE SHARE OF THE MINDANAO

REGION IN RICE AND CORN PRODUCTION VALUED AT ABOUT 2.3 BILLION PESOS WAS ABOUT 21 AND 57 PERCENT, RESPECTIVELY OF THE NATIONAL TOTAL PRODUCTION OF SUCH CROPS. THE AGRICULTURAL SECTOR OF MINDANAO DOMINATES THE REGIONAL ECONOMY AND EMPLOYS OVER 72 PERCENT OF THE LABOR FORCE.

5. ABOUT 90 PERCENT OF THE PROJECT AREA IS AT PRESENT UNDER CULTIVATION. PADDY IS EXTENSIVELY GROWN ON ABOUT DOUBLE CROPPING UTILIZING AVAILABLE IRRIGATION WATER FROM THE EXISTING COMMUNAL SYSTEMS. DUE TO LACK OF ASSURED WATER SUPPLY, YIELDS OF PADDY ARE LOW, AVERAGING 1.8 M.T./HA. ON RAINFED AREAS AND 2.7 M.T./HA. ON IRRIGATED AREAS. CORN AND OTHER FEEDGRAINS ARE PLANTED WHEN WATER IS INADEQUATE FOR PADDY PRODUCTION. THE AVERAGE YIELD OF LIMITED OFFICIAL USE

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CORN IS ALSO LOW, AMOUNTING TO ABOUT 1.0 M.T./HA., MAINLY

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FOR NAC AGENCIES

DUE TO LOW FERTILIZER APPLICATION, CROP DISEASE AND THE ABSENCE OF ADEQUATE WATER SUPPLY. THE PRESENT ANNUAL

CROPPED AREA OF ABOUT 37,000 HA. IS COMPOSED OF 15,000 HA. OF PADDY AND 22,000 HA. OF CORN AND OTHER FEEDGRAINS. WITH A PHYSICAL AREA OF 21,000 HA., THE CROPPING INTENSITY IS 175 PERCENT.

6. THE PROJECT AREA HAS AN ESTIMATED POPULATION OF ABOUT 82,000 GIVING A DENSITY OF 212 PERSONS PER SQUARE KM. AS COMPARED WITH THE NATIONAL AVERAGE OF 148. THERE ARE ABOUT 12,000 FARM HOUSEHOLDS WITH AN AVERAGE FAMILY SIZE OF ABOUT 6.7 PERSONS, OF WHOM ABOUT TWO TO THREE ARE AVAILABLE FOR FARM WORK. FARMING IS THE MAIN OCCUPATION, COMPRISING THE ECONOMIC ACTIVITY OF ABOUT 80 PERCENT OF THE POPULATION IN THE PROJECT AREA. THERE ARE NO MAJOR INDUSTRIES IN THE AREA EXCEPT FOR AN OIL PALM PLANTATION LOCATED ON THE NORTHERN EDGE OF THE PROJECT AREA.

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7. SMALL FARMS PREDOMINATE IN THE PROJECT AREA, ALTHOUGH FARM SIZES RANGE FROM LESS THAN 2 HA. UP TO MORE THAN 7 HA., WITH AN AVERAGE HOLDING OF ABOUT 2 HA. OF THE TOTAL FARMS, ABOUT 95 PERCENT ARE SMALL FARMS OF LESS THAN 5 HA., ACCOUNTING FOR ABOUT 85 PERCENT OF THE TOTAL LAND AREA. FARM HOLDINGS ABOVE 5 HA. REPRESENT ABOUT 5 PERCENT OF ALL FARMS AND COMPRISE 15 PERCENT OF THE LAND AREA. IN TERMS OF LAND TENURE, ABOUT 64 PERCENT OF THE FARMERS IN THE PROJECT AREA ARE TENANT FARMERS.

8. THE RURAL WATER SUPPLY SYSTEM IN THE PROJECT AREA IS INADEQUATE. THE MAIN SOURCES OF WATER FOR DOMESTIC USE ARE ARTESIAN WELLS. OTHER SOURCES OF WATER ARE SHALLOW WELLS, SPRINGS STREAMS AND RAINWATER, ALL OF WHICH MAY NOT PROVIDE RELIABLE AND GOOD QUALITY OF POTABLE WATER SUPPLY THROUGHOUT THE YEAR. THE EXISTING WATER SUPPLY SYSTEM IS THUS FAR FROM ADEQUATE TO MEET THE DEMANDS OF THE POPULATION IN THE PROJECT AREA.

9. THE EXISTING MEDICAL AND HEALTH FACILITIES IN THE PROJECT AREA ARE NOT ADEQUATELY EQUIPPED WITH SERVICE FACILITIES AND PERSONNEL. THERE ARE AT PRESENT ONE PROVINCIAL HOSPITAL OF 50 BED CAPACITY, FOUR RURAL HEALTH UNITS AND NINE BARANGAY (SMALLEST ADMINISTRATIVE UNIT IN PHILIPPINES), HEALTH STATIONS IN THE PROJECT AREA. BASIC MEDICAL AND HEALTH SERVICES ARE AT PRESENT PROVIDED BY MIDWIVES AT BARANGAY HEALTH STATIONS. FAMILY PLANNING SERVICES RECEIVE SPECIAL EMPHASIS FROM PROGRAMS DIRECTED BY DEPARTMENT OF HEALTH AND ARE PRESENTLY BEING INTEGRATED WITH MATERNAL HEALTH SERVICES UNDER THE NUTRITION PROGRAM OF BUREAU OF AGRICULTURAL EXTENSION.

10. THE MAIN OBJECTIVES OF THE PROJECT ARE TO INCREASE
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AGRICULTURAL PRODUCTION AND IMPROVE INCOMES AND LIVING
STANDARDS OF THE RURAL POPULATION IN THE PROJECT AREA.
THE PROJECT WILL ACHIEVE THESE OBJECTIVES THROUGH PRO-
VISION OF: (I) IRRIGATION AND RELATED CIVIL WORKS; (II)
WATERSHED MANAGEMENT WORKS; (III) AGRICULTURAL DEVELOP-
MENT; (IV) RURAL WATER SUPPLY AND HEALTH SERVICES; (V)
CONSULTING SERVICES. IN ADDITION, THE GOVERNMENT WILL
CONTINUE TO GIVE HIGH PRIORITY TO ITS ON-GOING PROGRAMS
AND ACTIVITIES IN THE PROJECT AREA USING ITS OWN FUNDS,
WHICH WILL FORM PART OF THE INTEGRATED APPROACH FOR THE
DEVELOPMENT OF THE PROJECT AREA. THESE PROGRAMS AND
ACTIVITIES ARE: (I) PROVISION OF ADEQUATE EXTENSION
SERVICES AND CREDIT FACILITIES AS WELL AS OTHER AGRI-
CULTURAL SUPPORTING SERVICES; (II) COMPLETION OF LAND
REFORM PROGRAMS; AND (III) ESTABLISHMENT OF FARMERS'
ORGANIZATIONS.

11. MAJOR COMPONENTS OF THE PROJECT ARE:

I. IRRIGATION AND RELATED CIVIL WORKS; A) TWO
DIVERSION DAMS WITH SILT EXCLUDING DEVICES, B) TWO MAIN
CANALS (43 KM.), 27 LATERALS (162 KM.) AND ON-FARM
FACILITIES (FOR 21,000 HA.), C) FARM AND LATERAL DRAINS
(330 KM.), D) NEW SERVICE ROADS ALONG MAIN CANALS AND
LATERALS (135 KM.), E) NEW ACCESS ROAD (3 KM.) AND
IMPROVEMENT OF EXISTING ROAD (19 KM.) TO DAM SITES, F)
SPUR DIKES AT SELECTED LOCATIONS, AND G) HYDRAULIC MODEL
STUDIES.

II. WATERSHED MANAGEMENT WORKS; A) REFORESTATION
(10,459 HA.) AND AGRO-FORESTRY (2,817 HA.), B) 50 SILT
DETENTION DAMS, AND C) HYDRAULIC MODEL STUDIES FOR
SEDIMENT CONTROL.

III. AGRICULTURAL DEVELOPMENT; ONE PILOT DEMONSTRA-
TION FARM (50 HA.).
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IV. RURAL WATER SUPPLY AND HEALTH SERVICES; A) 226

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DEEP TUBEWELLS AND B) CONSTRUCTION OF 11 BARANGAY HEALTH STATIONS AND IMPROVEMENTS OF EXISTING STATIONS.

V. CONSULTING SERVICES; 40 MAN MONTHS.

12. THE BASIC FACTORS CONSIDERED IN THE FORMULATION OF THE PROJECT INCLUDE: (I) LIMITED AVAILABILITY OF DRY SEASON RIVER FLOWS FOR IRRIGATION; AND (II) SOIL EROSION IN THE WATERSHED WITH RESULTANT SILTATION PROBLEMS IN THE SERVICE AREA. THE SIZE OF THE PROJECT AREA HAS BEEN DECIDED ON THE BASIS OF MAXIMUM UTILIZATION OF THE DEPENDABLE RIVER FLOWS FROM THE ALLAH RIVER DURING EACH 10-YEAR PERIOD OF THE YEAR FOR DOUBLE CROP IRRIGATION TO THE EXTENT POSSIBLE WITHOUT UPSTREAM STORAGE REGULATION. SOILS WHICH ARE NOT SUITED FOR CULTIVATION OF PADDY BUT SUITABLE FOR CORN WERE ALSO TAKEN INTO ACCOUNT IN THE FORMULATION OF THE PROPOSED CROPPING PATTERN UNDER THE PROJECT. THESE RESULTED IN 21,000 HA. BEING SELECTED FOR IRRIGATION OF PADDY AND CORN DURING THE WET SEASON; 11,100 HA. FOR DRY SEASON IRRIGATION.

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TION FOR PADDY AND CORN WITH MUNGBEANS AS A THIRD CROP, AND THE REMAINING 9,900 HA. FOR RAINFED CORN. THE LAYOUT OF THE IRRIGATION SYSTEM THUS PLANNED WILL ALSO LEAVE

POTENTIAL FOR INCREASE OF DRY SEASON IRRIGATION AFTER WATERSHED MANAGEMENT WORKS WHICH WOULD RESULT IN IMPROVEMENT OF DRY SEASON RIVER FLOWS.

13. NATIONAL IRRIGATION ADMINISTRATION (NIA), WHICH IS RESPONSIBLE FOR THE OVERALL PLANNING, PROGRAMMING AND EXECUTION OF ALL NATIONAL IRRIGATION PROJECTS IN THE COUNTRY, WILL BE THE PRINCIPAL EXECUTING AGENCY FOR THE IMPLEMENTATION OF THE MAIN COMPONENT OF THE PROJECT, WHILE BUREAU OF FOREST DEVELOPMENT (BFD), BUREAU OF PUBLIC WORKS (BPW) AND DEPARTMENT OF HEALTH (DOH) WILL BE RESPONSIBLE FOR THEIR RESPECTIVE COMPONENTS OF THE PROJECT. NIA HAS BEEN SUCCESSFULLY IMPLEMENTING ALL THE BANK-ASSISTED TECHNICAL ASSISTANCE AND LOAN PROJECTS IN THE IRRIGATION SECTOR IN THE PHILIPPINES. THE BANK HAS SO FAR FINANCED EIGHT IRRIGATION PROJECTS IN THE PHILIPPINES. ACCORDING TO THE BANK MOST PROJECTS ARE BEING IMPLEMENTED SMOOTHLY BY NIA AND THAT TIMELY PROVISION OF LOCAL CURRENCY FUNDS IS BEING MAINTAINED BY THE GOVERNMENT THROUGH ITS BUDGETARY SOURCES. THE ADB ALSO FOUND THAT THE BORROWER AND THE EXECUTING AGENCY HAVE IN GENERAL SATISFACTORILY COMPLIED WITH ALL LOAN COVENANTS. NIA'S COMPETENCE AS THE EXECUTING AGENCY FOR THE PROPOSED PROJECT AND ITS FINANCIAL STATUS ARE CONSIDERED SATISFACTORY.

14. NIA WILL BE RESPONSIBLE FOR THE PROCUREMENT OF EQUIPMENT AND MATERIALS REQUIRED FOR THE CIVIL WORKS CONSTRUCTION OF THE PROJECT, WHILE BFD, BPW AND DOH WILL BE RESPONSIBLE FOR PROCUREMENT OF ITEMS REQUIRED FOR THEIR RESPECTIVE COMPONENTS OF THE PROJECT. EACH SUPPLY CONTRACT FOR CONSTRUCTION EQUIPMENT AND MATERIALS (STEEL LIMITED OFFICIAL USE

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BAR, SHEET PILES, GATES AND NETWORKING), PILOT DEMONSTRATION FARM EQUIPMENT, AND DRILLING RIGS INCLUDING CASINGS FOR DEEP TUBEWELLS ESTIMATED TO COST THE EQUIVALENT OF 100,000 DOLLARS OR MORE WILL BE AWARDED ON THE BASIS OF INTERNATIONAL COMPETITIVE BIDDING (ICB) IN ACCORDANCE WITH THE BANK'S GUIDELINES FOR PROCUREMENT. EACH SUPPLY CONTRACT FOR EQUIPMENT (OR MINOR ITEMS) ESTIMATED TO COST LESS THAN THE EQUIVALENT OF 100,000 DOLLARS WILL BE PROCURED ON THE BASIS OF INTERNATIONAL SHOPPING (IS) QUOTATIONS FROM A REASONABLE NUMBER OF SUPPLIERS IN MORE THAN ONE ELIGIBLE COUNTRY. PROCUREMENT OF CEMENT AND FUEL, MANUFACTURED LOCALLY FROM IMPORTED COMPONENTS AND RAW MATERIALS, WILL BE LIMITED TO TENDERING AMONG LOCAL SUPPLIERS IN ACCORDANCE WITH NIA'S STANDARD PROCUREMENT PROCEDURES. BASED ON THE IMPORT COMPONENT OF THE MATERIALS UP TO 50 PERCENT OF THE CONTRACT PRICE WILL BE FINANCED UNDER THE PROPOSED LOAN. SUCH CONSTRUCTION MATERIALS WOULD NOT BE SUITABLE FOR ICB OR IS BECAUSE THE MATERIALS

CANNOT BE ORDERED IN LARGE QUANTITIES FOR PROLONGED STORAGE AND SUCH MATERIALS WOULD BE USED IN SMALL QUANTITIES SPREAD THROUGHOUT THE CONSTRUCTION PERIOD.

15. ABOUT 40 MAN MONTHS OF CONSULTING SERVICES WILL BE NEEDED TO ASSIST NIA AND BFD FOR IMPLEMENTATION OF THE PROJECT. THE EXPERTISE REQUIRED WILL BE AN IRRIGATION ENGINEER, A SOIL CONSERVATION SPECIALIST, A HYDRAULIC MODEL STUDIES EXPERT, AN AGRONOMIST AND AN AGRICULTURAL ECONOMIST/INSTITUTIONAL EXPERT. THE CONSULTANTS WILL BE ENGAGED IN ACCORDANCE WITH THE BANK'S GUIDELINES ON USES OF CONSULTANTS.

16. NIA WILL COLLECT WATER CHARGES FROM THE BENEFICIARY FARMERS IN ACCORDANCE WITH ITS EXISTING REGULATIONS. ANALYSIS BY ADB INDICATES THAT THE PRESENT RATE OF IRRIGATION FEES WILL COVER THE FULL COST OF OPERATION AND MAINTENANCE AND A REASONABLE PROPORTION (ABOUT 18 PERCENT) LIMITED OFFICIAL USE

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OF THE CAPITAL COST OF THE IRRIGATION COMPONENT OF THE PROJECT.

17. THE PROJECT WOULD RESULT IN AN INCREASE IN THE ABSOLUTE LEVEL OF INCOME OF SMALL FARMERS CULTIVATING LESS THAN THREE HA.; SUCH FARMS ACCOUNT FOR ABOUT 64 PERCENT OF THE TOTAL AREA AND 84 PERCENT OF THE FARMERS. SOME PROJECT FACILITIES, SUCH AS RURAL WATER SUPPLY AND HEALTH SERVICES, WILL ALSO LIKELY BE OF MORE BENEFIT TO SMALL FARMERS THAN THE LARGE. THE PROJECT WILL GENERATE A SUBSTANTIAL INCREASE IN FARM INCOME FOR SOME 12,000 FARM FAMILIES IN THE PROJECT AREA. PRESENTLY, ABOUT 70 PERCENT OF THE FARMS GROW RAINFED PADDY IN THE WET SEASON AND RAINFED CORN IN THE DRY SEASON. BY UTILIZING THE PROJECT'S IRRIGATION FACILITIES TOGETHER WITH IMPROVED FARMING PRACTICES, A FARMER CULTIVATING AN AVERAGE TWO HA. FARM WILL BE ABLE TO INCREASE HIS FARM INCOME FROM ABOUT 525 DOLLARS PER YEAR UNDER WITHOUT THE PROJECT TO LIMITED OFFICIAL USE

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AN AVERAGE OF ABOUT 1,030 DOLLARS PER YEAR AT FULL DEVELOPMENT OF THE PROJECT.

18. IN ADDITION TO THE DIRECT CONTRIBUTION THROUGH INCREASED CROP PRODUCTION AS WELL AS PROPER WATERSHED MANAGEMENT, THE PROJECT WILL HAVE AN ADDITIONAL SOCIO-ECONOMIC IMPACT AS FOLLOWS: A) EMPLOYMENT - THE PROJECT WILL GENERATE ABOUT 4.0 MILLION MAN-DAYS OF EMPLOYMENT DURING ITS FIVE-YEAR CONSTRUCTION PERIOD. FURTHERMORE, THE PROJECT WILL ALSO CREATE A DEMAND FOR AN ADDITIONAL 3.8 MILLION MAN-DAYS OF FARM LABOR ANNUALLY TO COPE WITH THE INCREASED FARM ACTIVITIES. B) FOREIGN EXCHANGE SAVINGS - THE PROJECT IS EXPECTED TO PRODUCE, INTER ALIA, ABOUT 62,000 M.T. OF ADDITIONAL PADDY AT FULL DEVELOPMENT AND SAVE THE COUNTRY ABOUT 10 MILLION DOLLARS ANNUALLY IN FOREIGN EXCHANGE AFTER DEDUCTING THE VALUE OF THE IMPORTED COMPONENTS OF FERTILIZERS AND CHEMICALS REQUIRED FOR PADDY PRODUCTION, OR WILL ENABLE EXPORT OF SURPLUS RICE. C) ENVIRONMENTAL IMPACT - THE ENVIRONMENT OF THE PROJECT AREA WILL BE ENHANCED BY THE VARIOUS COMPONENTS OF THE PROJECT, SUCH AS IRRIGATION AND DRAINAGE FACILITIES, FARM-TO-MARKET ROAD NETWORK, AND RURAL WATER SUPPLY AND HEALTH SERVICES, ALL OF WHICH ARE DIRECTLY RELATED TO THE IMPROVEMENT OF LIVING STANDARD OF THE POPULATION. D) OTHER INDIRECT BENEFITS - INCREASE AVAILABILITY OF FARM BY-PRODUCTS, SUCH AS BRAN, BROKEN RICE AND STRAW, WILL ENCOURAGE THE FARMERS TO PROVIDE ADEQUATE SUSTENANCE FOR THEIR DRAFT ANIMALS, WHICH IN TURN WILL RESULT IN MORE EFFICIENT DRAFT CULTIVATION.

19. USADB COMMENT: BELIEVE PROJECT IS WELL DESIGNED AND SHOULD LEAD TO SUBSTANTIAL ECONOMIC AND SOCIAL DEVELOPMENT OF REGION. WHILE TERMS FOR LOAN ARE UNUSUALLY GENEROUS, LIMITED OFFICIAL USE

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30 YEARS REPAYMENT, 4.0 MILLION DOLLARS FOR LOCAL COST FINANCING AND 4.8 MILLION DOLLARS FOR INTEREST AND OTHER CHARGES INCURRED DURING CONSTRUCTION, USADB AGREES WITH BANK THAT THE HIGH SOCIAL CONTENT OF PROJECT AND THE HIGH LEVEL OF PHILIPPINE DEBT JUSTIFY THE PROPOSED TERMS. USADB BELIEVES THAT BANK SHOULD BE COMPLIMENTED FOR ITS REQUIREMENT FOR A BASELINE SURVEY OF THE PROJECT AREA AN INTEGRAL PART OF THE PROJECT. WE ALSO FEEL, HOWEVER, THAT THE BANK COULD HAVE GONE FURTHER TO ENSURE VALUE OF BASELINE SURVEY BY INCLUDING A STATISTICAL EXPERT IN THE CONSULTANCY SERVICES COMPONENT OF THE LOAN. GIVEN THE NEED TO COLLECT SUCH DATA AS A REFERENCE POINT TO MEASURE THE DEGREE OF SUCCESS OF THIS TYPE PROJECT, WE PLAN TO ASK MANAGEMENT, AT THE BOARD, TO CONSIDER MORE SPECIFIC SUPPORT FOR SUCH SRUVEYS IN ITS UPCOMING PROJECTS. PROJECT IS ECONOMICALLY AND TECHNICALLY SOUND; USADB THEREFORE RECOMMENDS FAVORABLE NAC ACTION.

20. REQUEST AMEMBASSY MANILA COMMENTS FOR NAC AGENCIES, INFO USADB MANILA, PURSUANT TO STATE 119795 DATED JULY 3, 1972. LEFES

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Message Attributes

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